

Message Text

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PAGE 01 CARACA 05260 202107Z

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TO SECSTATE WASHDC 8796

INFO AMEMBASSY KINGSTON

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EO 11652 GDS

TAGS: PFOR VE JM

SUBJ: VENEZUELAN OIL AGREEMENT WITH JAMAICA

REF: CARACAS 4280

SUMMARY (SEE LAST PAGE)

1. " INTERNATIONAL OIL DEVELOPMENTS" ISSUE OF MAY 1, 1975, STATES VENEZUELA HAS AGREED TO SUPPLY ALL JAMAICAN OIL NEEDS, PART ON CREDIT TERMS SIMILAR TO THOSE PREVIOUSLY GRANTED TO CENTRAL AMERICAN COUNTRIES, OVER THE NEXT SIX YEARS. ARTICLE FURTHER STATES CARACAS WILL PROVIDE \$100 MILLION DURING THE PERIOD TO HELP FINANCE THE COST OF VENEZUELAN CRUDE, WITH ABOUT \$26 MILLION TO BE MADE AVAILABLE TO JAMAICA THIS YEAR, COVERING 10-15 PERCENT OF THE VALUE OF ITS OIL IMPORTS.

2. ACCORDING TO RELIABLE SOURCES WITHIN THE MINISTRY OF MINES, THE OFFICE OF THE MINISTER OF INTERNATIONAL ECONOMIC AFFAIRS, AND ELSEWHERE, AS REPORTED IN REFTTEL, CONFIDENTIAL

CONFIDENTIAL

PAGE 02 CARACA 05260 202107Z

AN AGREEMENT HAS NOT YET BEEN CONCLUDED TO SELL OIL TO

JAMAICA ON CREDIT TERMS.

3. AN AGREEMENT IS, HOWEVER, IMMINENT WHEREBY JAMAICA WILL BE INCLUDED IN THE VENEZUELAN OIL FACILITY, AS IT IS NOW BEING REFERRED TO IN GOVT CIRCLES. PART OF THE COST OF THE OIL SOLD TO JAMAICA WILL BE FINANCED BY THE VENEZUELAN INVESTMENT FUND. A GOV SOURCE REMARKED THAT THE FINANCING WILL COVER A LESSER PORTION THAN IS THE CASE IN THE ARRANGEMENT WITH CENTRAL AMERICA. THE ONLY EXPLANATION WAS THAT JAMAICA PURPORTEDLY PAYS LESS THAN CENTRAL AMERICA FOR VENEZUELAN OIL. A CREOLE SOURCE WOULD ONLY SAY THAT PERHAPS THE RECONSTITUTED CRUDE DELIVERED TO JAMAICA BRINGS A LOWER PRICE THAN THE CRUDE SOLD IN CENTRAL AMERICA. HE ACKNOWLEDGED THAT FREIGHT COSTS SHOULD BE ROUGHLY COMPARABLE.

4. IN ANY CASE, PRESIDENT PEREZ APPARENTLY DECIDED TO GO AHEAD WITH THIS ARRANGEMENT RATHER THAN WAIT TO INCORPORATE JAMAICA INTO A BROADER CARIBBEAN PLAN. THIS DECISION APPEARS TO BE BASED ON THE RELUCTANCE OF OTHER CARIBBEAN COUNTRIES, SUCH AS TRINIDAD AND TOBAGO AND THE DOMINICAN REPUBLIC, TO PARTICIPATE. IF THE DETAILS ARE EVER MADE PUBLIC, IT WILL PROBABLY BE EXPLAINED MERELY AS A BROADENING OF THE CENTRALAMERICAN AGREEMENTS TO INCLUDE JAMAICA. THERE HAS BEEN MUCH LOCAL CRITICISM OF THE VENEZUELAN INVESTMENT FUND AND THE FOREIGN LOANS MADE BY THE GOV. THE CRITICISM IS BASED ON THE ARGUMENT THAT VENEZUELA SHOULD ATTEND TO ITS OWN NEEDS BEFORE EXTENDING AID TO OTHERS. THUS, THERE IS A TENDENCY TO DOWNPLAY SUCH SENSITIVE ISSUES AS THE OIL FINANCING PROGRAM.

5. GOV INTEREST IN SUCH DEALS CONTINUES TO BE MOTIVATED BY 1) A DESIRE TO PROTECT ITS MARKET POSITION BY REINFORCING FINANCIAL ABILITY OF RECIPIENT COUNTRIES TO CONTINUE TO BUY NORMAL QUANTITIES OF OIL; AND 2) TO GUARANTEE SOMETHING OF ECONOMIC VALUE IN RETURN THAT MIGHT NOT BE FORTHCOMING UNDER NORMAL TRADE CONDITIONS. RECENT OVERTURES BY ARGENTINA AND COLOMBIA FOR PREFERENTIAL OIL DEALS DID NOT MEET WITH SUCCESS, ACCORDING TO GOV OFFICIALS, BECAUSE THESE COUNTRIES DID NOT QUALIFY UNDER THE ABOVE CRITERIA.

CONFIDENTIAL

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PAGE 03 CARACA 05260 202107Z

6. FOR KINGSTON. EMBASSY CARACAS WOULD APPRECIATE ANY MORE SPECIFIC DETAILS ON THE OIL AND BAUXITE AGREEMENTS THAT CAN BE DEVELOPED THERE. WE WILL TRY TO FOLLOW UP HERE ON THE QUESTIONS OF COMPARATIVE PRICE AND THE AMOUNT OF JAMAICAN PURCHASES TO BE FINANCED. SUMMARY. REPORTS THAT VENEZUELA NOW HAS AN OIL FINANCING AGREEMENT WITH JAMAICA APPEAR PREMATURE, BUT ESSENTIALLY ACCURATE. AN AGREEMENT IS IMMINENT TO INCLUDE JAMAICA IN THE OIL FACILITY WHICH PREVIOUSLY WAS

EXTENDED TO CENTRAL AMERICA AND PERU. END SUMMARY.
SHLAUDEMAM

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